



ORD RIVER RESOURCES

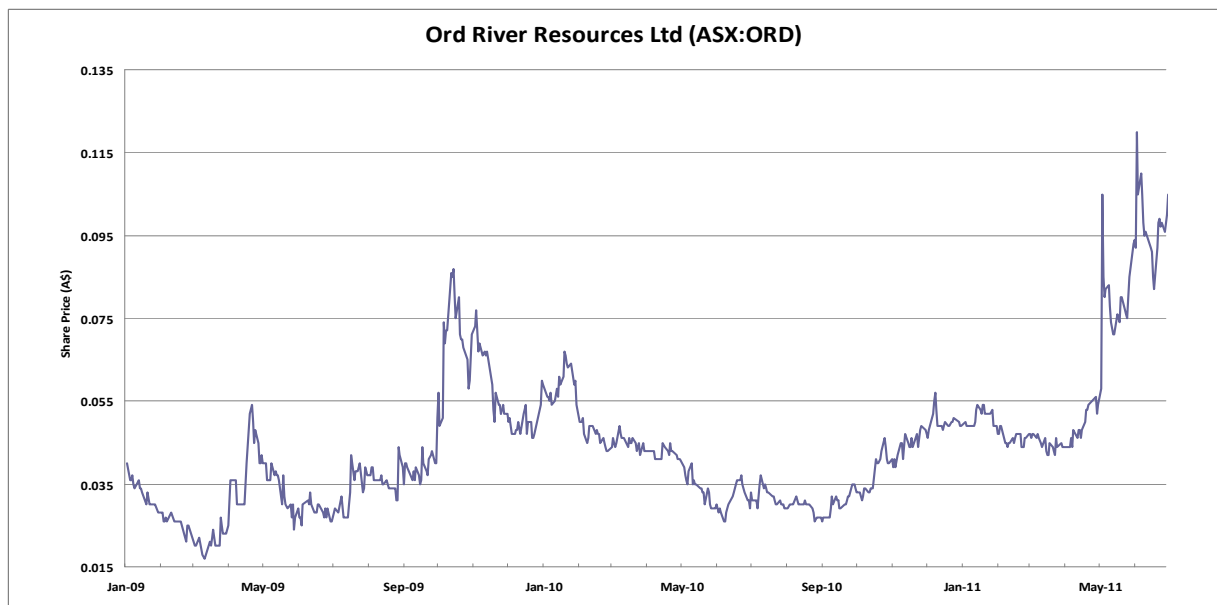
Current Price \$0.095
Speculative Buy

July 6, 2011

Analyst: Doug Richardson

Ord River Resources (ASX:ORD)

Share Price (A\$)	0.095
Fully Paid Ordinary Shares (m)	470.4
Options and Partly Paid Shares (m)	35.2
Fully Diluted Shares (m)	505.6
Market Capitalisation (Undiluted) (A\$m)	44.7
Cash (A\$m)	3.0
Non Current Debt (A\$m)	0
Enterprise Value (A\$m)	41.7
Average Daily Volume (in millions - past 12 months)	3.8



Summary / Investment Comment

Pro-active management with an interesting variety of assets within the Bauxite, Gold, Copper and now Coal sectors. Strong associations and relationships with large Chinese industry leaders and high potential for large future off-take agreements.

Feasibility study on Laos is due soon and IPO for this project to follow in early 2012. Future valuation on ORD is heavily reliant on the Laos project at present, however projects such as Suplejack and Qld coking coal option and possible future acquisitions makes this a speculative buy.

Directors/Management

Board

Luo Tao (Chairman)
David Tang
Graham McGeagh
Peter Shou
Frank Zhu

Management

Peter Shou Managing Director
Frank Zhu Head of Corporate Development &
Company Secretary
Peter Buckley Head of Exploration
Bob Richardson Technical Advisor - Geology

Major Shareholders

	(m)	(%)
China NonFerrous Metals International Mining Co Ltd	23.5	5.00%
Mr J S P H Venpin	11.8	2.51%
Commsec Nominees Pty Ltd	10.9	2.32%
Aston Resources Investments Pty Ltd	10.0	2.13%
Fort Capital Pty Ltd	8.9	1.88%
Top 20	134.2	28.53%
Top 50	195.5	41.56%

Key Projects	Control		JV Partner	Process	Location	Status
Laos Bauxite	25%	Alumina	SARCO	Open Cut	Laos	Feas.
Copper Flats	49%*	Copper	GRAM	Open Cut	NT/WA	Early Expl
Suplejack	100%	Gold	na	Open Cut	NT	Early Expl
West Wyalong	100%	Gold	na	na	NSW	Early Expl
Caledon	5-10%**	Coal	GRAM	U/G	Qld	Producing

* ORD control 100% of this Project until Chinese authorities approve the JV with GRAM.

** Acquisition option to attain 5%-10% of Caledon Resources

Ord River Resources Ltd (ORD) is a minerals exploration company with projects in bauxite, copper and gold and has an option to buy a minor stakeholding in a producing Australian coal asset. A new board, management and leadership in early 2009 have allowed ORD to embark on their growth strategy of focused exploration, development of projects (both in Australia and overseas). The Laos bauxite project is viewed to be the most valuable asset for ORD at present and the largest shareholder of the company, China Nonferrous Metal Group (CNMG) are one of the key Chinese partners driving the project to future production.

Recent positive announcements and financial media exposure, increased share price along with associated trading volume have lifted the profile of the company and the pro-active management can be attributable to this.

Projects:

(1) Laos (Bauxite/Alumina)

Sino Australian Resources (Laos) Co., Ltd ("SARCO") is a Joint Venture Company between ORD and China Non Ferrous Metal Industry's Foreign Engineering & Construction Co, Ltd ("NFC"). SARCO has a JV of the Laos Bauxite Project with Sahabolisat Lao Bolikarn (Lao Service Incorporation Ltd, "LSI") to take the Laos bauxite project to mining. SARCO holds 51% interest in the JV and will be the operator whilst LSI holds 49%; therefore the current ORD exposure to the Bauxite project is 25%.

The current JORC Resource for Laos is 130mt and SRK Consulting is working on a possible upgrade this quarter. The annual refinery capacity planned is for 600kt with a future refinery capacity expansion to 1.2mt pa and for an open cut mine life of 20+ years.

SARCO are aiming for an Initial Public Offering (IPO) to the ASX either in December this year or in Q1 2012. The early estimated capital expenditure (CAPEX) for the project is US\$600m and 70% of this is expected to be debt financed. The equity via the IPO is expected to raise \$180m-200m. Although the pricing and terms of the IPO are to be determined (RBC have been appointed as advisors to the IPO), there will be an expected dilution effect for ORD in the project given the IPO and for the basis of placing a tentative valuation ORD's exposure to the project post IPO, we have assumed that ORD will hold approximately 15%-17.5% of the Laos project.

SARCO are currently reviewing the capital expenditure contracts from NFC for the refinery. The contracts will be fixed price and of a fixed term and the refinery is expected to take two years for construction build. In relation to supply arrangements,

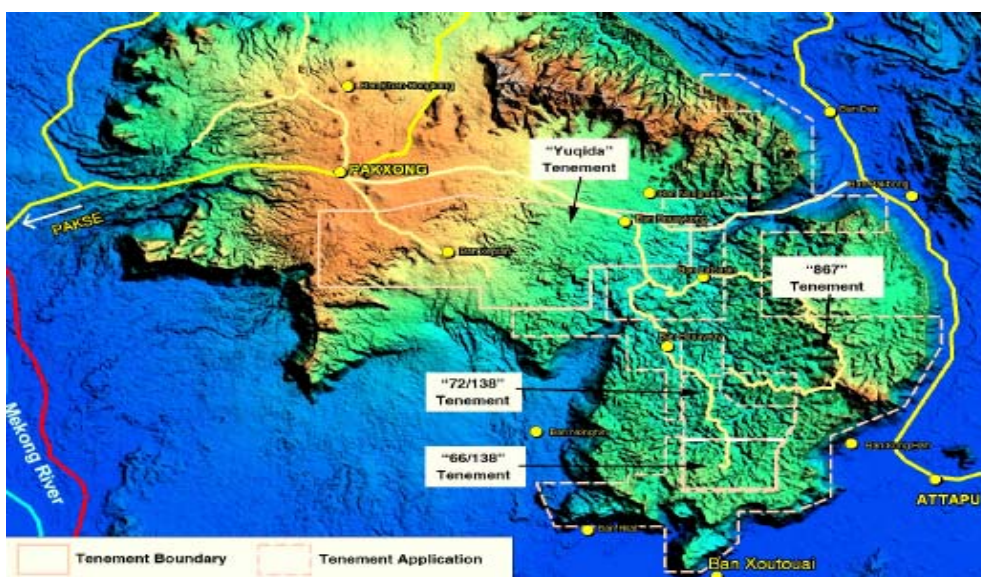
SARCO are discussing with providers in Laos including power, water, road transportation and labour costs. SARCO are also negotiating off-take agreements with various Chinese buyers to secure market price competitive prices.

In terms of the debt financing, ORD mentioned in an ASX announcement on 26 May this year, that SARCO have received a signed letter of proposal from China Minsheng Banking Corporation Ltd (CMBC) for the funding of 70% of the planned US\$600m refinery in Laos. CMBC are one of the largest listed banks in China and have provided project finance to NFC projects in the past.

Post IPO, SARCO will potentially be the ASX's second largest pure alumina producing company behind Alumina Ltd (ASX:AWC). The bauxite and alumina markets in Australia are concentrated by the two major diversified miners, Rio Tinto (ASX:RIO) and BHP Billiton (ASX:BHP), therefore investor exposure to pure alumina producing companies is currently limited.



Figures 1&2: Location of the Bolaven Plateau Bauxite Project in Laos with tenement location in Figure 2 below. Source: ORD





Figures 3a and 3b: Road and powerlines in LSI tenement (left photo) and bauxite lumps at surface within Yuqida tenement (right photo). Source: ORD

Australian Projects

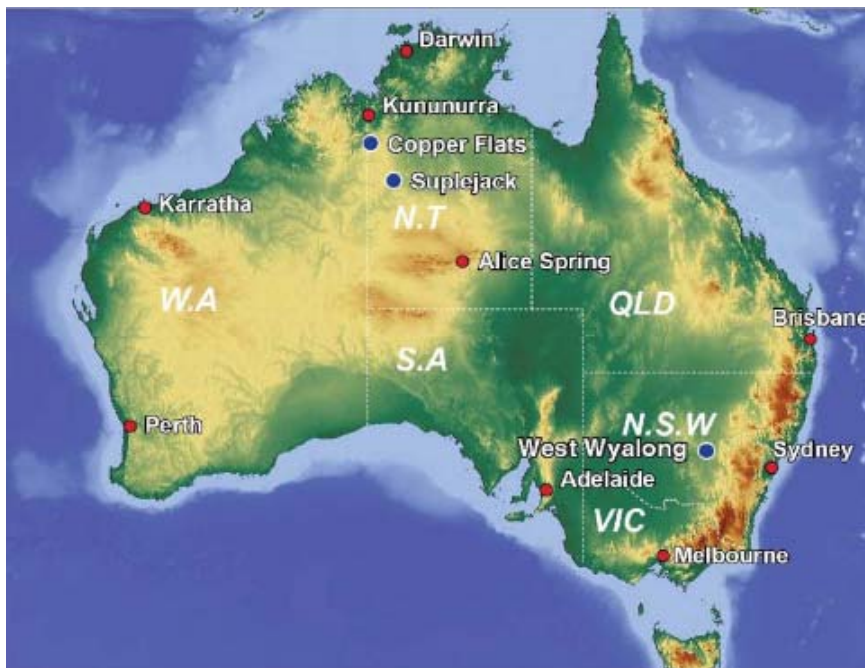


Figure 4: Location of ORD Australian Projects. Source: ORD

(2) Suplejack, NT, Australia (Gold)

ORD are targeting an aggressive Q3 drilling campaign for the 100% owned Suplejack Gold Project based in the Tanami region of NT. An existing JORC resource of 55,000 ounces at Tregony (average grade 1.57g/t Au) has not seen further drilling for over a decade. The Tregony resource is located on the same structure or 'the Suplejack' shear as Tanami Gold's (ASX:TAM) 119,000 ounces Au and 203,000 ounces Au as can be seen in Figure 5 below.



Figure 5: The location of the Five Mile/PhD prospect rock chip sampling and the Tregony Prospect (yellow squares) (red exploration licence outline). The White squares indicate the location of existing resources as announced to the ASX on 8 June 2011 by Tanami Gold NL (ASX:TAM). Source: ORD announcement 10 June 2011.

Within the Suplejack Project, areas other than Tregony include Thomas and Boco and can be seen in Figure 6. Notable intersections in previous angled RAB drilling include: 10m@5.51g/t from 59m ending in mineralisation at Thomas and also 9m@5.45g/t from 71m. Boco has had limited drilling and the best being 3m@4.19g/t from 66m.

The greater Tanami region itself has produced in excess of 85t of gold in its history and has reported in-situ gold resource inventories of 166t. The Suplejack Project is located 30km north of TAM's operating Goldrush Gold Mine and is approximately 10km north of ABM Resources (ASX:ABU) Hyperion Gold Project. The Suplejack Project is thus located within easy access to essential infrastructure and to existing gold processing facilities.

ORD recently collected rock chip samples along the gold prospective Five Mile, PhD and PhD North trend on the western portion of the current licence area. These chips have been submitted for gold and multi-element analysis with results expected in the coming weeks. Additionally, potential drill sites at the Tregony prospect were also assessed in preparation for drilling which will target extensions to the known gold mineralisation.

With the spot gold price around the US\$1,500/oz region, extensive exploration has occurred in recent times in the Tanami. There is good potential to add to existing resources for ORD with this project as drilling has not occurred for over 10 years and the dynamics and price of the gold market has changed substantially in that time. Companies including TAM and ABU potentially could be interested in the Suplejack Project if drilling results are favourable.

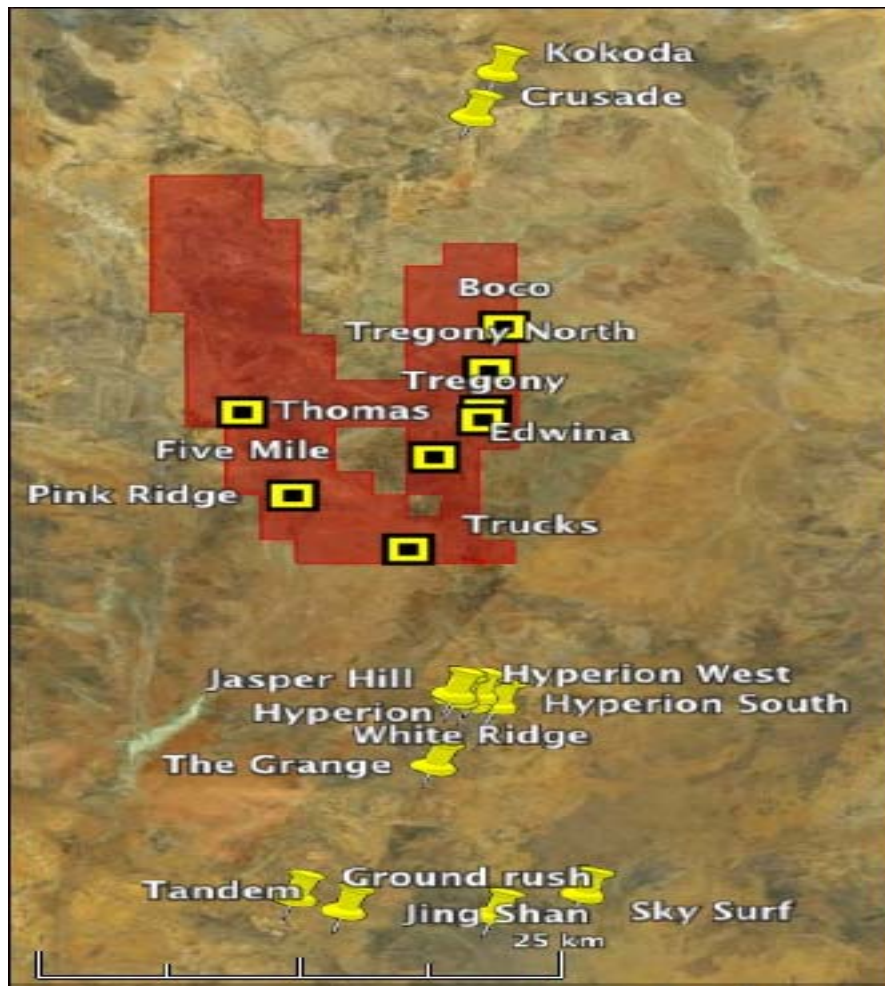


Figure 6: Location of the Suplejack Prospect, SEL 26483 (red outline/shading) relative to the operating Groundrush Gold Mine (TAM) and the Hyperion Gold Project (ABU). Yellow squares indicate the location of ORD gold prospects, occurring between known gold occurrences. Source: ORD

(3) West Wyalong, NSW, Australia (Gold)

The tenement is within the Lachlan Fold Belt in central NSW and this region boasts numerous, high tonnage/low grade profitable gold mines including Cadia Gold Mine, North Parkes Copper-Gold Mine, and Lake Cowal Gold Mine. Located 15km south west of Barrick Gold's producing Cowal Gold Mine (in 2010 it produced 298,000 oz Au at total cash costs of \$581 per ounce and has proven and probable mineral reserves as of 2.5 million ounces – source Barrick Gold website).

ORD's 100% tenement ownership in the West Wyalong area covers 210 square kms. The tenement encompasses the historic Hiawatha Goldfield which previously had 17 small scale gold mines where gold was produced from fracture-fill quartz veins. The project is in its infancy stage with rock chipping planned for Q3 this year and surveying later in the year.

(4) Caledon Coal Option, QLD, Australia (Coal)

Caledon Resources plc (ASX:CCD and London's Aim Market AIM:CDN) is a coking coal producer and explorer in the Bowen Basin of Queensland, Australia. It acquired the mothballed Cook Mine in late 2006 and has since recommissioned the operation and introduced a new underground mining methodology. The Company also purchased the nearby Minyango exploration concessions in 2006 and has completed a prefeasibility study on a potential underground coking and thermal coal mine. Within Dec 2010 and March 2011, CCD announced a total JORC increase from 745mt to 1,676mt of coal in Queensland.

In November last year, a possible acquisition was announced to the ASX, whereby Guangdong Rising Assets Management Co Ltd (GRAM) and its wholly owned indirect subsidiary Guangdong Rising (Australia) Pty Ltd ("Bidco") were looking to acquire CCD via a cash offer. On 23 June this year, the agreement with CCD had been reached and recommended by the CCD board. The price for the transaction is GBP1.12 per share in cash, valuing the existing share capital in CCD at

GBP313.1m (AUD467m at 1 July 2011). GRAM have received Chinese regulatory approval and secured full cash funding for the bid.

ORD have managed to attain an acquisition option to buy into Caledon at the same price as GRAM. The option provides the right for ORD to acquire 5%-10% of Caledon. Effectively, a 10% exercising option will cost ORD close to AUD45m. We view this innovative option structure as a potential key driver for ORD. There is zero risk until the exercise of the option (no expiry date defined) and it provides ORD with acquisition price certainty and flexibility in the equity stake it wishes to acquire.

Caledon has recently announced plans for a growth plan to expand coking coal production to 4mt pa from 2014 to coincide with the expansion of the Wiggins Island Coal Export Terminal (WICET).

In 2010, Caledon produced 431kt of coking coal from the Cook Mine and 96kt of thermal coal and in Q1 2011 Caledon was producing at similar rates despite the Queensland floods. ABARE have a 2011 average price forecast of \$289t for coking coal and \$130t for thermal coal.

(5) Copper Flats, WA/NT, Australia (Copper)

The Copper Flats Project area is situated approximately 180km North West of The Suplejack Project. The 16 tenements packaged together covers parts of WA and NT, and accounts for 3,761 sq kms of terrain. In the past, the Copper Flats Project was potentially seen to be the key driver for ORD. With new management onboard, the focus has been on the Laos Bauxite project and future projects.

On 30 November 2010, ORD and GRAM entered into a legally binding Heads of Agreement (HoA) to establish a JV Company in Australia to develop the Copper Flats Project and also to seek other opportunities or acquisitions. GRAM will effectively hold 51% of the JV Company and ORD 49%. FIRB have approved this transaction. The Chinese authorities are yet to approve the arrangement but it is expected in coming months. (The authorities recently approved the Caledon acquisition as covered earlier in this report and it appears likely that approval will also be given for the JV for GRAM and ORD.) Under the agreement, GRAM will invest \$10.8m in the JV Company to attain their 51% holding. From this, ORD will receive a cash payment of \$3m from the JV Company and effectively own 49%. There will be equal board and management representation for the new JV Company. Given the vast size of the tenements within the Copper Flats Project, the exploration licence renewal fees on these tenements is significant for a company of the size that ORD is currently and we view this JV as a positive as it provides ORD with sufficient cash for future projects but also provides capital required to drill aggressively on these tenements.

Figure 7 below shows the previous extensive sampling and rock chip areas that ORD have conducted. Limited shallow drilling has been conducted and requires a 'stepped up' approach and targeting.

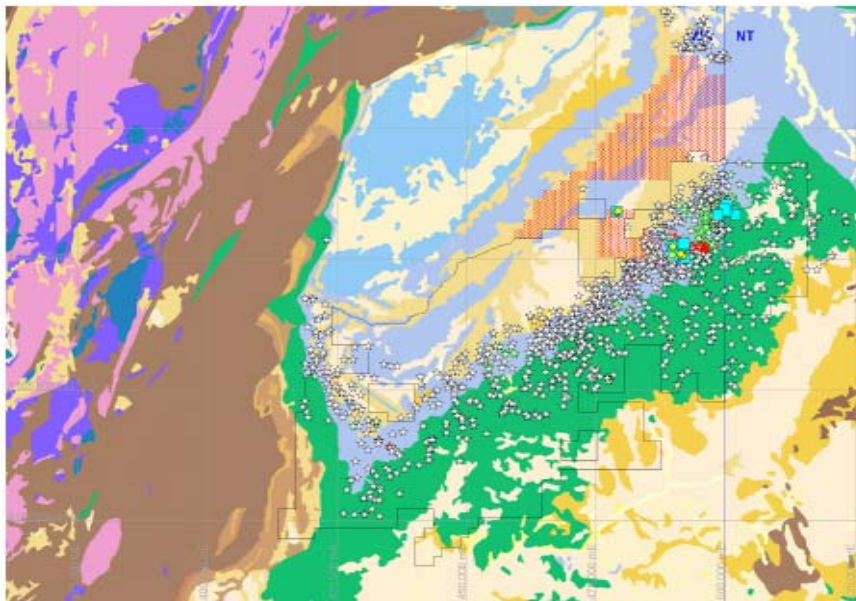


Figure 7: *The stars represent collected stream sediment samples, red triangles represent rock chipping samples assayed above 5% Cu. The blue squares represent the Copper Prospects within the entire tenements and the yellow circles represent the limited drill holes to date.*

Whilst previous drilling in 2007 provided little mineralisation, sufficient capital can allow the JV company to focus on more exploration targets and future deeper drilling. At this stage, we see this project as 'green fields' for ORD and the JV approval is certainly favoured upon.

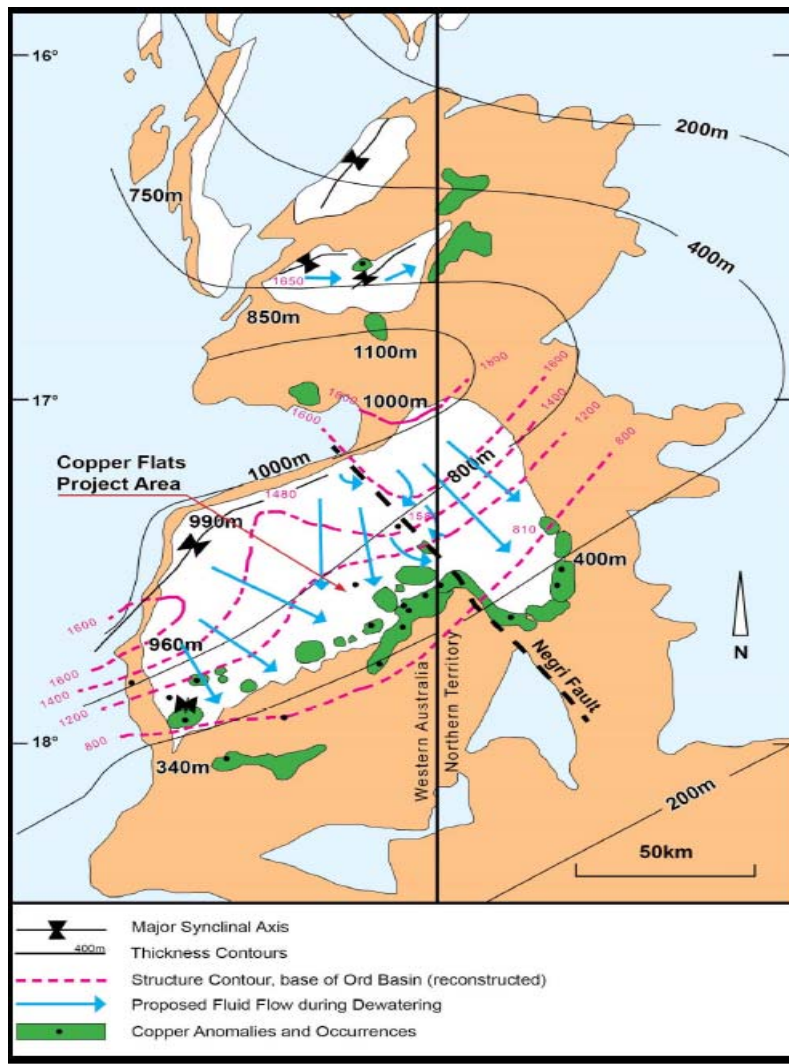


Figure 8: *Distribution of Identified Copper Mineralisation. Sub-economic secondary copper mineralisation occurs in shallow outcropping areas (green). New exploration by the ORD and GRAM JV will focus on deeper structures which may have acted as fluid pathways (Blue arrows). Source: ORD*

Cash Position and Future Funding:

At the time of this report, cash balances would be approaching \$3m. Funds are to be allocated for Suplejack drilling over the next quarter. Chinese regulatory approval is required and is waiting for the Copper Flats JV. If approval is granted, significant funding will be allocated to ORD to provide cash flow heading into H2 of 2011CY.

In addition to this, on 27 August 2009, ORD reported a signed a subscription agreement with China Non-Ferrous Metals International Mining Co Ltd (CNMIM), whom is ORD's biggest shareholder, for an Equity Line of \$10m over a three year period from the reported date. Under the facility, CNMIM shall subscribe for up to \$10m when required by ORD and upon mutual agreement. The subscribed shares will be placed at the Volume Weighted Average Price (VWAP) of ORD's share price quoted and traded on the ASX during the 45 business days when the shares have traded prior to subscription.

Last Quarterly Reconciliation of Cash	Last Quarter 31/03/2011	Previous Quarter 31/03/2011
Cash on hand at bank		
Deposits at Call	3,320,000	3,635,000
Bank Overdraft		
Other Term Deposit	-	-
Total	3,320,000	3,635,000
Operating Activities		
Receipts from product sales & debtors	0	
Receipts from interest and rent	54,000	
Payments for exploration & evaluation	-154,000	
Payments for development		
Payments for Production		
Payments for Admin	-316,000	
Net Operating Cash Flows	-416,000	
Net Investing Cash Flows	101,000	
Net Financing Cash Flows		
NET INCREASE (DECREASE) in CASH HELD	-315,000	
Estimated outflow next Qtr		
Exploration and Evaluation	300,000	
Development	300,000	
Total	600,000	

Options:

There are no listed options for ORD, with the four categories of unlisted options shown below. The 17m options with a strike price of 40c are not expected to be exercised given the current share price and with only three months to expiry. There were 9.65m options with an exercise price of 5c that expired at the end of December last year and were not exercised as the share price was trading at or marginally below the 5c range. If all remaining options are exercised an additional A\$1.5m would be available to the company.

<u>No. options</u>	<u>Strike Price</u>	<u>Expiry</u>	<u>Listed</u>	<u>Potential Cash</u>
17,000,000	\$ 0.400	30/09/2011	No	\$ 6,800,000
5,202,000	\$ 0.050	31/03/2012	No	\$ 260,100
1,799,562	\$ 0.075	31/03/2012	No	\$ 134,967
11,150,000	\$ 0.100	26/11/2013	No	\$ 1,115,000
Total	35,151,562			\$ 8,310,067

Projected Valuation:

Emphasis is certainly on the Laos bauxite project given the economies of scale and the advancement of this project. SARCO and its JV partner are currently working on the Feasibility Stage of the project in conjunction with Sinomine Resource Exploration Co., Ltd ("Sinomine Resource"). SRK Consulting is looking to upgrade the current JORC resource of 130mt.

The IPO and the pricing of such, will provide more insight to the possible valuation of the Laos Project to ORD and the degree of dilution it will have on the current ORD ownership in the project. At this early stage, we are using the assumptions of the following for the Laos Project:

- Opex \$250 per t Alumina
- Aluminium price of \$2,600t and Alumina price approximately 14% of this (using historical prices)
- Discount rate 6%
- Capex \$600m
- Mine Life 20 Years
- Recovery rate of 90%

Providing an NPV of \$410m and using the post IPO assumptions of ORD holding 15%-17.5% of the project, we see ORD's NPV for the Laos Project to be \$61m-\$72m. Using a mid point, we have derived the project value to ORD of \$66.5m or \$0.14 per share.

Including the other projects (coal, gold and copper), we are targeted a valuation of \$0.20 per share at this stage, however the feasibility study, aluminium price and IPO pricing will be influential in future valuations.

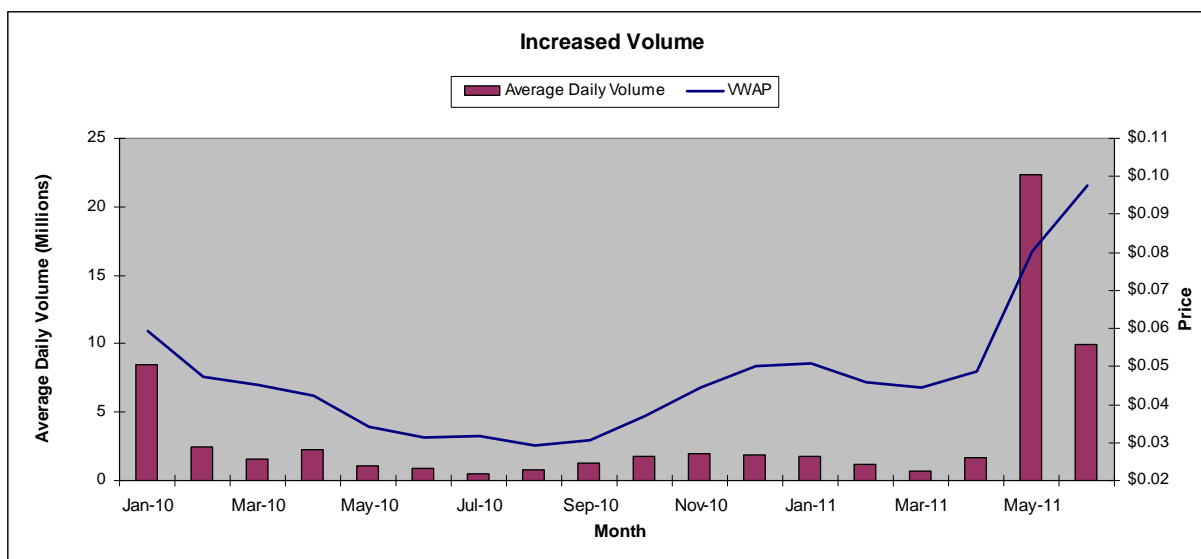
Valuation	\$m	\$ per share
Bauxite	66.6	\$ 0.14
Coal	14.2	\$ 0.03
Gold	4.0	\$ 0.01
Copper	10.4	\$ 0.02
TOTAL	95.1	\$ 0.20

Liquidity and Trading:

With over 470m shares on the listed share register, ORD is considered to be a very liquid stock and appears to attract a number of 'day traders'. As the share price climbed up to 10c in the past two months, short term traders became attracted to the stock given the technical share price momentum was heading upwards and liquidity was increasing. As the traded price increments increase from 0.1c to 0.5c once a stock is trading at 10c, short term traders are again attracted to the activity.

Using data for the past four years (that includes the stock trading with previous management), the average daily volume is considered liquid with over 1.8m traded.

More recently however, as can be seen below, the volume has increased dramatically as the share price moved into the 10c range. Average daily volume has been 22m and almost 10m for May and June respectively this year. Strong news flow from ORD appears to have provided buying support. The VWAP has been increasing whilst the volume in June was significantly lower than May perhaps indicating that shareholders may see longer term value.



Due to the small market capitalisation of A\$44.7m ORD has no weighting in the All Ordinaries Index.

Shareholders:

CNMG are the biggest shareholder with 5% ownership. An investment subsidiary company of Nathan Tinkler's ASX listed Aston Resources (ASX:AZT) has been a shareholder in ORD for a few years in a previous share issue and maintains a 10m share holding. The register is not considered to be tightly held at present as the Top 20 shareholders accounts for 28.5% of all script issued. Stretching the registry to the Top 50 indicates that 41.6% of shareholders are accounted for. Given the increased volume of share trades in ORD, short term traders 'come and go' from the register. A share consolidation may reduce the number of day trading and also attract institutional investments in the future.

Management:

New management and leadership occurred in early 2009 and appear pro-active. Management have close networks with CNMG and potential off take partners.

The Board consists of:

Luo Tao (Non-Executive Chairman): Chairman of CNMIM and President of CNMG.

Peter Shou (Managing Director):	Over 16 years experience in the resources and energy industry and has held executive roles in minerals economics, strategy analysis, project development, risk management and corporate finance.
Graham McGeagh (Non Exec Director):	Currently CEO of Benson Radiology, a private company. Was recently CEO of Finlayson Lawyers. Over 20 years experience of business management and holds an MBA.
Frank Zhu (Executive Director & Co. Secretary)	Has 14 years experience in funds management and investment banking with leading the Origination Group of Investment Banking at Goldman Sachs. Also has managed significantly sized portfolios at Australian Ethical investment Ltd and has a CFA and a Master of Commerce majoring in International Business.
David Tang (Non Executive Director)	Current President of CNMIM and has previous experience working in the investment management and consulting industry in Canada.

References:

ORD company announcements

Interviews with ORD directors and management (May and June 2011)

RBC Capital Markets research

IBIS World Research Papers 2010 & 2011

www.minesite.com

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